701—238.3 (418) Sales tax increment calculation.

238.3(1) *Sales tax increment calculation formula.* The department shall calculate quarterly the amount of increased sales tax revenues for each governmental entity approved to use sales tax increment revenues and the amount of such revenues to be transferred to the sales tax increment fund pursuant to Iowa Code section 423.2(11)*"b."* The department shall calculate the amount of the sales tax increment as follows:

a. Determine the amount of sales subject to the tax under Iowa Code section 423.2 in each applicable area specified in subrule 238.3(2) during the corresponding quarter in the base year from retail establishments in such areas. The base year shall be calculated when the period for processing returns for the final quarter in the base year is complete.

b. Determine the amount of sales subject to the tax under Iowa Code section 423.2 in each applicable area specified in subrule 238.3(2) during the corresponding quarter in each subsequent calendar year from retail establishments in such areas.

c. Subtract the base year quarterly amount determined under paragraph 238.3(1)*"a"* from the subsequent calendar year quarterly amount in paragraph 238.3(1)*"b."*

d. If the amount determined under paragraph 238.3(1)*"c"* is positive, the product of the amount determined under paragraph 238.3(1)*"c"* multiplied by the tax rate imposed under Iowa Code section 423.2 shall constitute the amount of increased sales tax revenue.

e. Only sales that are made by retail establishments in the area are taken into consideration when the sales subject to tax are determined. Sales otherwise sourced to the area are not considered in the calculation.

238.3(2) *Area used to determine the increment.* The area used to determine the sales tax increment shall include:

a. For projects approved for a governmental entity as defined in Iowa Code section 418.1(4)*"a,"* only the unincorporated areas of the county.

b. For projects approved for a governmental entity as defined in Iowa Code section 418.1(4)*"b,"* only the incorporated areas of the city.

c. For projects approved for a governmental entity as defined in Iowa Code section 418.1(4)*"c,"* the incorporated areas of each city that is participating in the chapter 28E agreement, the unincorporated areas of the participating county, and the area of any participating drainage district not otherwise included in the areas of the participating cities or county, as applicable.

238.3(3) *Identification of retailers.* Each governmental entity shall assist the department of revenue in identifying retail establishments in the governmental entity's applicable area that are collecting sales tax. This process shall be ongoing until the governmental entity ceases to utilize sales tax revenue under this chapter.

This rule is intended to implement Iowa Code section 418.11.

[**ARC 1103C**, IAB 10/16/13, effective 11/20/13]